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UNCLAS SECTION 01 OF 02 LILONGWE 000457

SIPDIS

C O R R E C T E D C O P Y (TEXT PARA 7 AND PARA NUMBERING)

SENSITIVE

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SUBJECT: MUTHARIKA MEETS DONORS, SENDS MIXED MESSAGES

REF: LILONGWE 451

1. (U) Summary. President Bingu wa Mutharika convened heads of mission from donor countries and agencies in Lilongwe for a two-hour meeting on May 27 during which he outlined his plans to move Malawi from "poverty to prosperity." While the bulk of the meeting was spent paraphrasing the inauguration speech he delivered three days earlier, he deviated from the script long enough to divulge plans to dramatically reduce the size of the cabinet; that he favors state subsidies in the agriculture sector; that he intends to establish a new university; that he will jail opposition leader Gwanda Chakuamba if he continues to cause problems; and that he wants the support of international donors to deal with Malawi's crushing domestic debt burden. End summary.

"From Poverty to Prosperity".....

2. (U) Mutharika provided chiefs of mission with copies of his inaugural speech outlining his plans to turn Malawi's economy around. (A copy of the speech has been faxed to AF/S.) As noted in reftel, Mutharika intends to move Malawi "from poverty to prosperity" (which has already become his administration's tag-line) by implementing a four-pronged reform package in the public, private, agricultural, and civil service sectors. He reiterated his pledges to control corruption, make statutory corporations profitable (or close them down), and reduce expenditures and borrowing.

3. (SBU) The president said he was still working on reducing the size of the cabinet from 46 (29 ministers and 17 deputy ministers). Though he has yet to settle on an exact figure, he said its size should be "no more than twenty" -- including the president himself and the two vice presidents. He made clear to donors that he is "running a risk" and that there will be many (presumably from the former government) who will soon be "cursing me at their breakfast tables."

4. (U) To further lower expenditures, Mutharika said he would reduce state residence and travel expenses, and would soon begin "dismantling" government offices in Blantyre. He vowed to make Lilongwe a true capital and noted he had moved from Blantyre on the first day of his administration.

,,, but at a Cost

5. (SBU) While pressing for expenditure reductions, Mutharika also announced several big-ticket items that will be difficult for the government to fund. He announced his plan to turn Malawi into a "hunger-free" nation in about two years. To do so, he said the prices of fertilizer and maize must be reduced, and that farmers needed to be provided Starter Packs (seeds and fertilizer). He stated that if the private sector fails to reduce prices of fertilizer and maize, he will "close down their shops" and have the state take over -- if only on a "temporary" basis. He added that he would also promote irrigation projects to increase Malawi's agricultural output.

6. (SBU) Another expensive proposal is Mutharika's plan to establish a third university in Malawi. Pointing out that there is a university in the Southern Region and one in the Northern Region, he said it was only natural that there should be one in the capital city of Lilongwe in the Central Region.

Chakuamba: "I'll Lock Him Up!"

7. (SBU) In telling donors he intended to enhance security in the country by increasing the government's support to the police and the military, Mutharika went off-script to skewer opposition candidate Gwanda Chakuamba, who has filed a court petition to have the results of the election declared null and void. Pointing out that Chakuamba also contested the national elections in 1994 and 1999 and incited his supporters to cause disturbances, Mutharika said: "The man is a thug, pure and simple." Mutharika added (three times) that if disturbances continued, he would lock Chakuamba up. Insisting that Chakuamba's protests are not political ("the

man is greedy and crazy"), he vowed he "will not tolerate disturbance of the peace in this country."

18. (SBU) Mutharika also told donors not to believe stories that the Catholics and Presbyterians had opposed his candidacy. Insisting that only a few individuals were the instigators of anti-UDF sentiment in the churches, he claimed that religious leaders were now making known their support of him.

Appeal to Donors: "It's Not My Debt"

19. (SBU) Mutharika appealed to donors for support in reducing domestic debt. Saying he could not implement his reforms while simultaneously paying off Malawi's domestic debt (note: currently at about \$600 million), he asked for donors' help in "eliminating" domestic debt. Claiming that "it's not my debt," Mutharika said he should not be burdened with the situation created by the previous government. (Note: Mutharika served as Minister of Economic Planning up until his election.)

Comment

10. (SBU) While almost everything Mutharika said in two hours was measured, soothing, well-reasoned, and designed to enlist the good will of donors, his discourse was punctuated by some jarring comments. Talking about reducing expenditures while at the same time announcing plans for a new university (in a country where primary and secondary education is disfunctional) represents a clear disconnect. Likewise, extolling the virtues of the private sector while announcing that the GOM will subsidize agriculture (and close down private vendors if they fail to reduce prices sufficiently) is unsettling. And while many would agree that Chakuamba is indeed stirring up trouble after his electoral loss, Mutharika's vitriol and threats of imprisonment (which would certainly provide Chakuamba the mantle of martyrdom) seem unwise for a new head of state who somehow has to find a way both to unify a badly divided country and to reassure donors. End comment.
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